



**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

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May 14, 2009

TO: Supervisor Don Knabe, Chairman
Supervisor Gloria Molina
Supervisor Mark Ridley-Thomas
Supervisor Zev Yaroslavsky
Supervisor Michael D. Antonovich

FROM: Wendy L. Watanabe 
Auditor-Controller

SUBJECT: **JWCH INSTITUTE, INC. CONTRACT REVIEW – A DEPARTMENT OF
PUBLIC HEALTH HIV/AIDS CARE AND PREVENTION SERVICES
PROVIDER**

We completed a fiscal review of JWCH Institute, Inc. (JWCH or Agency), a Department of Public Health (DPH) HIV/AIDS care and prevention services provider.

Background

DPH's Office of AIDS Programs and Policy (OAPP) contracts with JWCH to provide HIV/AIDS emergency and transitional housing, transitional case management, health education and outreach for communities of color. JWCH is located in the Third District.

JWCH had six contracts with OAPP during Fiscal Year 2006-07. The County paid JWCH \$113,851 for two fixed-fee contracts and \$639,617 for four cost reimbursement contracts. Both types of contracts required the Agency to comply with the Comprehensive AIDS Resource Emergency Act (CARE Act) and other federal and State program requirements.

Purpose/Methodology

The purpose of our review was to ensure that JWCH appropriately spent OAPP funds in accordance with the County contract. We also evaluated the adequacy of JWCH's accounting records, internal controls and compliance with the contract and applicable federal and State fiscal guidelines governing the CARE Act. In addition, we determined whether the Agency provided services to eligible participants.

Results of Review

JWCH appropriately recorded and deposited cash receipts timely into the Agency's bank account. However, JWCH did not always comply with County contract requirements. Specifically, JWCH:

- Did not sufficiently document \$19,491 in gift cards billed to OAPP. JWCH did not provide distribution logs to support the \$19,491 in gift cards distributed to clients as incentives. In addition, JWCH did not require participants to acknowledge that they received the incentives by obtaining signatures from program participants. Subsequent to our review, JWCH provided incentive logs. However, the logs did not support the incentives questioned.
- Charged OAPP for payroll expenditures based on estimates not actual time spent performing OAPP related activities.
- Did not always obtain appropriate documentation from clients/participants to determine their eligibility for program services.
- Did not have documentation to support \$571 reported on their Cost Reports.

The details of our review, along with recommendations for corrective action, are attached.

Review of Report

We discussed our report with JWCH and OAPP on October 7, 2008. In their attached response, JWCH agreed with the findings and recommendations except for repaying the County \$20,062 (\$19,491 + \$571). JWCH believes that they provided documentation to support these expenditures, but we informed JWCH that the documentation was not sufficient. JWCH needs to provide OAPP the required documentation or repay \$20,062.

We thank JWCH for their cooperation and assistance during this review. Please call me if you have any questions or your staff may contact Don Chadwick at (213) 253-0301.

WLW:MMO:DC

Attachments

- c: William T Fujioka, Chief Executive Officer
Jonathan E. Fielding, Director, Public Health Department
Al Ballesteros, Chief Executive Officer, JWCH Institute, Inc.
Public Information Office
Audit Committee

**HIV/AIDS CARE AND PREVENTION SERVICES
JWCH INSTITUTE, INC.
FISCAL YEAR 2006-07 AND 2007-08**

ELIGIBILITY

Objective

Determine whether JWCH Institute, Inc. (JWCH or Agency) provided services to individuals that meet the eligibility requirements of the Office of AIDS Programs and Policy (OAPP).

Verification

We reviewed the case files for 25 program participants that received services from March 2006 to September 2007 for documentation to confirm their eligibility for OAPP services.

Results

The case files for seven (28%) of 25 program participants sampled did not contain documentation to support their eligibility for program service. Specifically, the Agency was not able to provide the case file for one (4%) program participant and the remaining six case files did not contain documentation verifying the participants' HIV status.

Recommendations

JWCH management ensure:

- 1. Client files are maintained for all program participants.**
- 2. Agency staff obtains the appropriate documentation from clients/participants to determine their eligibility for program services.**

CASH/REVENUE

Objective

Determine whether cash receipts and revenue are properly recorded in the Agency's records and deposited timely in their bank account. In addition, determine whether there are adequate controls over cash, petty cash and other liquid assets.

Verification

We interviewed JWCH's personnel and reviewed their financial records. We also reviewed the Agency's July 2007 bank reconciliation for two bank accounts.

Results

JWCH appropriately recorded and deposited OAPP cash receipts timely. In addition, the Agency reconciled its bank accounts monthly. However, one bank reconciliation included reconciling items totaling \$2,121 that were over a year old.

Recommendation

3. JWCH management ensure bank reconciling items are resolved timely.

EXPENDITURES**Objective**

Determine whether program expenditures are allowable under the County contract, properly documented and accurately billed to the program.

Verification

We interviewed Agency personnel, reviewed financial records and documentation for 29 non-payroll expenditure transactions charged to OAPP during March 2006 to September 2007, totaling \$67,784. The expenditures related to the Agency's cost reimbursement contracts.

Results

JWCH did not maintain appropriate documentation to support \$19,491 (29%) in gift cards billed to OAPP. Specifically, JWCH did not provide distribution logs to support the \$19,491 in gift cards distributed to clients as incentives. In addition, JWCH does not require participants to acknowledge that they received the incentives by obtaining signatures from program participants.

Recommendations**JWCH management:**

4. Repay DPH \$19,491 or provide appropriate supporting documentation.
5. Ensure supporting documentation is maintained for all OAPP expenditures.
6. Require signatures from program participants upon receipt of gift cards.

FIXED ASSETS AND EQUIPMENT**Objective**

Determine whether the Agency's fixed assets and equipment purchases made with OAPP funds are used for the OAPP program and are safeguarded.

We did not perform testwork in this area as the Agency did not purchase fixed assets with OAPP funds.

PAYROLL AND PERSONNEL**Objective**

Determine whether payroll expenditures were appropriately charged to the program. In addition, determine whether personnel files are maintained as required.

Verification

We traced payroll expenditures for nine (36%) of the 25 program employees totaling \$17,118 and employee benefits totaling \$4,196 between September 2006 and September 2007. We also reviewed the personnel files for nine employees assigned to the OAPP program.

Results

Generally, JWCH maintained the required personnel records. However, JWCH charged OAPP for payroll expenditures based on estimates not actual time spent performing OAPP related activities as required by the contract.

Recommendation

7. JWCH management ensure employees' time records report actual hours worked by program.

COST ALLOCATION PLAN**Objective**

Determine whether JWCH's Cost Allocation Plan was prepared in compliance with the County contract and the Agency used the plan to appropriately allocate shared program expenditures.

Verification

We reviewed JWCH's Cost Allocation Plan and reviewed a sample of expenditures incurred by the Agency during March 2006 to September 2007 to ensure that expenditures were properly allocated to the benefiting programs.

Results

JWCH's written Cost Allocation Plan was in compliance with the County contract. However, as previously indicated the Agency's billings to OAPP were not always based on actual costs and supported.

Recommendation

Refer to Recommendations 5 and 7.

COST REPORTS**Objective**

Determine whether the Agency's cost reports reconcile to the Agency's financial accounting records.

Verification

We traced the Agency's general ledger to the Agency's cost reports submitted to OAPP for the six OAPP contracts reviewed.

Results

JWCH's expenditures reported on their Cost Reports exceeded their accounting records by \$7,618. Subsequent to the exit conference, JWCH provided additional documentation to support \$7,047 in questioned costs. As a result, the questioned costs were reduced to \$571 (\$7,618 - \$7,047).

Recommendations

JWCH management:

- 8. Repay DPH \$571 or provide supporting documentation.**
- 9. Ensure that Cost Reports are supported by the Agency's accounting records.**



JWCH Institute, Inc.,
formerly known
as the Attending Staff
Association of the John
Wesley County Hospital,
was established in 1960.

We are a private
non-profit organization
providing Community
Health & Medical
Services, Outreach,
Education, and
Social Services.

February 10, 2009

Ms. Maria McGloin
Program Specialist III
Countywide Contract Monitoring Division
Department of Auditor-Controller
County of Los Angeles
1000 S. Fremont Avenue, Unit #51, Building A-9 East
Alhambra, CA 91803

Dear Ms. McGloin:

The following comments are in response to the audit report for JWCH
Institute, Inc. regarding the fiscal monitoring conducted in 2007:

Eligibility

Recommendations

1. Agency staff obtains the appropriate documentation from clients/participants to determine their eligibility for program services.
2. Client files are maintained for all eligible program participants.

JWCH's Response:

JWCH Institute, Inc. agrees with the recommendations number 1 and 2 and will ensure that staff obtains the appropriate documentation from clients/participants to determine their eligibility for program services and ensure that client files are maintained for all eligible program participants.

Cash/Revenue

Recommendations

3. JWCH management ensures bank reconciling items are resolved timely.

JWCH's Response:

JWCH Institute, Inc. agrees with recommendation 3 and will ensure outstanding checks over one year old are resolved timely.

Expenditures

JWCH INSTITUTE, INC.
1910 W. Sunset Blvd.,
Suite 650
Los Angeles, CA 90026-1291
PH (213) 484-1006
FAX (213) 413-3140
www.JWCHInstitute.org

Health & Medical Services¹

Recommendations

4. Repay DPH \$19,491 or provide appropriate supporting documentation.
5. Ensure supporting documentation is maintained for all OAPP expenditures.
6. Require signatures from program participants upon receipt of gift cards.

JWCH's Response:

For recommendation 4, JWCH Institute, Inc. does not agree to repay the full amount of \$19,491 due to incentives were used for the program and benefited the program.

SPN Incentives

Client and/or Agency Incentive funds were used at the end of the contract period pending approval of our final budget modification. This resulted in incentive items being purchased at the end of the contract period and then utilized in the subsequent contract period. The program continued without interruption and the client/agency incentives were utilized resulting in less funds needed to cover these costs during the subsequent contract period.

Mobile Unit Incentives

Mobile Unit incentive funds were used at the end of the contract period pending approval of our final budget modification. This resulted in incentive items being purchased at the end of the contract period and then utilized in the subsequent contract period. Client incentive logs were provided to the auditor for all client incentives distributed from the mobile unit.

JWCH Institute, Inc. agrees with the recommendations numbers 5 and 6 and will ensure supporting documentation is maintained for all OAPP expenditures. JWCH Institute, Inc. will also require signatures from program participants upon receipt of gift cards.

Payroll and Personnel

Recommendations

7. Ensure employees' time records report actual total hours worked by program.

JWCH's Response:

JWCH Institute, Inc. agrees with the recommendations number 7 and will ensure payroll billings are based on actual costs incurred and actual hours worked on OAPP related activities, not budgeted amounts. JWCH has the Time & Activity Report in place and will implement the completion of the Time & Activity report on a daily basis by program for all OAPP contracts effective January 1, 2009. A copy of the timesheet and Time & Activity Report is attached for your review. Please see attachment A.

Cost Reports

Recommendations

8. Repay DPH \$571.
9. Ensure that Cost Report are supported by the Agency's accounting records.

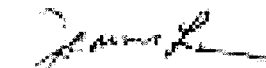
JWCH's Response:

JWCH Institute, Inc. does not agree with the repayment amount of \$571. The \$571 amount consists of \$135 parking permits expenses billed to office supplies line item; \$212 registration fees for the 2007 HIV Prevention Leadership Summit (HPLS) billed to staff development line item; and \$224 travel costs for the 2007 HPLS billed under the mileage line item. Please see attached support documents (Attachment B). JWCH Institute, Inc. agrees to repay \$135 in parking permits expenses billed to office supplies line item.

JWCH Institute, Inc. will continue to ensure that Cost Reports are supported by the Agency's accounting records.

We thank you for your assistance. Please contact me if you have any questions. I may be reached at 213-484-1186.

Sincerely,



Jeanne Lam
Chief Financial Officer
Attachments